Panel Three

BEAR
STEARNS

Duopoly and Cross-Ownership

Panelists

Robert Decherd — Chief Executive Officer, Belo

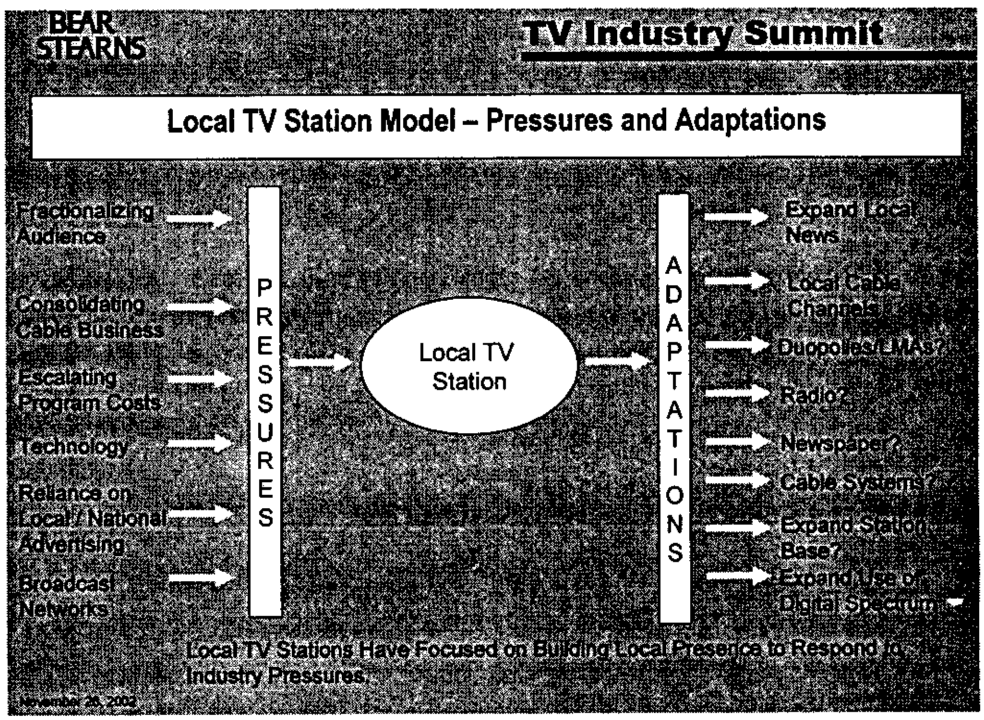
David Smith — Chief Executive Officer, Sinclair Broadcast Group

Shaun Sheehan — Vice President in Washington, Tribune

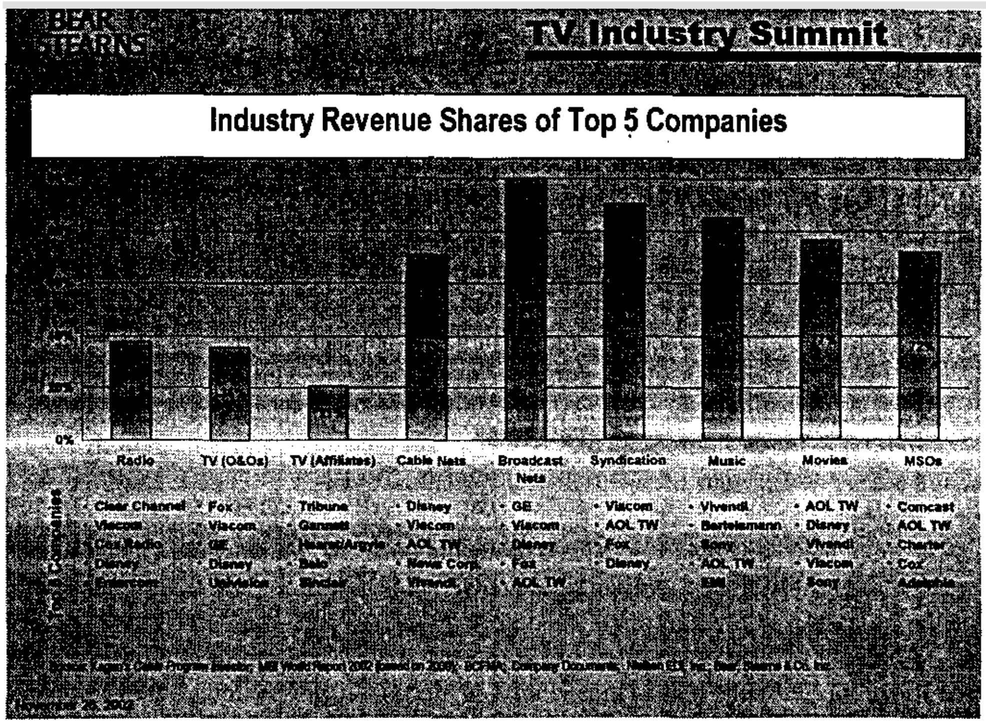
Walter Ulloa — Chief Executive Officer, Entravision

Panel Time: **11:15** A.M. to **12:30 P.M. E.S.T.**

Victor Miller: In the first panel, we talked about the pressures building on the economic model of the local television station. The second panel really dealt with the economic model itself, talking about the revenue and expenses of the business as they are right now.



And now we're moving to the adaptation side of the discussion, where we're going to talk about duopoly and cross-ownership of media. And to help us do that, we have Robert Decherd, the CEO of Belo; David Smith, the CEO of Sinclair Broadcast Group; Shaun Sheehan, the vice president in Washington for Tribune; and Walter Ulloa, the CEO of Entravision.



Victor Miller: Let's talk about some industry statistics to set this thing up. Let's talk about concentration of industry revenue in other media markets. **You** can see the radio **. . .** the top five owners have about **38%** of industry revenue. The TV O&Os, the network O&Os, are about **36%.** The affiliates past the O&O group is about 21%. Cable nets, 71%, broadcast nets, obviously, 100%. Syndication, ***90%;*** music, ***85%;*** movies, 77%; MSOs, 72% of the business. **The** national media marketplace is considerably more concentrated than the local marketplace. What challenges does this pose now and in the next five years **. . .** Robert Decherd? And how have you tried to address this from your operational basis?

Robert Decherd: Without reiterating or repeating things that have been said in earlier sessions, the single most powerful business leverage affiliates have and independents have is our local audiences. Localism is a real phenomenon; it is aided and abetted by deregulation in the sense that it permits duopolies, it permits cross-ownership, I hope, to be formed in appropriate circumstances. It enables you to extend your existing brands, your existing franchises, into local and regional marketplaces. And, in our estimation, that is the single most obvious and the only proven way for network affiliates or singly owned stations or groups of stations to compete effectively in the deregulatory environment that has evolved over the past ten years. There are fundamental changes, which have been discussed this morning, that underscore how important those relationships with audiences are. The deeper and more extended those relationships are or can become, the more likely it is that companies like ours will thrive in whatever competitive environment evolves. So we spend most of our time, Victor, working off of that basic strategic belief.

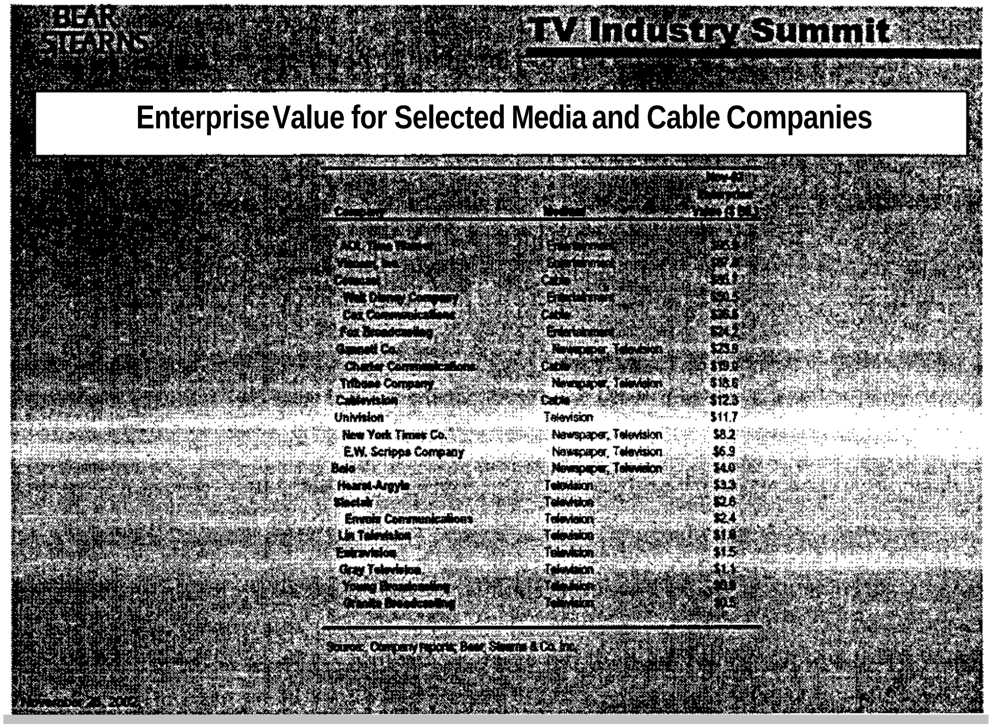
Victor Miller: David, what do you think about the national marketplace? How **do** you adapt?

> "We have to be able to compete effectively against satellites, local cables, and anybody who wants to come into our territory."

David Smith: I think every broadcaster here is clearly in exactly the same position. We have a fundamental challenge, and the challenge is to be ultimately competitive in a successful business. And this is something we fight every day. To me, the larger issues aren't so much what am I going to do tomorrow in the context of my 0.1 rating or my 6.2 rating. The larger, more macro, issues are what drive me every day. And those macro issues are, what are we going to be doing ten years from now? Are we going to be around as a business? And, if we're going to be around, and we're going to be as successful as we have been in the past, then our focus is get deregulation, so that we can compete against monopolies; that's the bottom line. We have to be able to compete effectively against satellites, local cables, and anybody who wants to come into our territory. And, I understand. . . I'm okay with what everybody's doing. I'm okay with Time Warner hypothetically owning 99% of my marketplace. I just want to compete against them fairly, that's all. And, right now, under the current rules, we can't, in my view.

Victor Miller: Shaun, any comments from the Tribune side?

Shaun Sbeeban: Well, historically, this is not a new phenomenon to us, when we put television stations on the air in the 1940s. In the markets where we were, New York and Chicago, NBC, ABC, and CBS were launching at the same time. So we've always been against the big guy. What we have done, and I think I'd echo Robert; we've been extremely successful with our morning news launches in New York, Chicago, and L.A. In essence, what we took is drive-time radio and converted it to TV. And then we saw our old formula really fading out with the great growth of cable, and that's why we went under the WB relationship, to ensure a fresh product source. Clearly, the only reason I'm up here this morning would be to address the regulatory equation. And we believe very strongly in duopoly; we've done very well with it in the four markets where we are. And we've kind of hedged an enormous bet with our purchase of Times Mirror and force the issue, if you will, on newspaper cross. And we see an opportunity there as well, and we're hoping the government will see the societal benefits in getting rid of that rule.



Victor Miller: Here's AOL Time Warner, total enterprise value of $95 billion, and the largest pure-play television player there, Univision, at $11 billion. And then you get into some of the newspaper and TV chains. You see Gannett at $23 billion. And you see pure TV guys . . . pure TV guys like domestic . . . $3.3 billion for Hearst-Argyle. How does a company like yours fit into this? When you look at just the . . . what's the practical implications of battling these huge companies in your marketplaces, in general?

Walter Ulloa: Well, the advantage for us is that we serve, we were the first narrow-casters. We serve a specialty market, which is the Hispanic market, and it's a fast-growing market and has been for the last 20 years and will be into the future. And so, we have, with our Univision program, a very dominant position in most of our markets — in all of our markets when it comes to Spanish-language television audiences. And, in many markets, we compete head-to-head with network affiliates in any language. So, although I can see that the difference in market cap, and then you look at it and say, gee, AOL Time Warner's at $96 billion and . . .

Victor Miller: You're $1.5 billion.. .

Walter Ulloa: Entravision's at $1.5 billion. They're different businesses entirely.

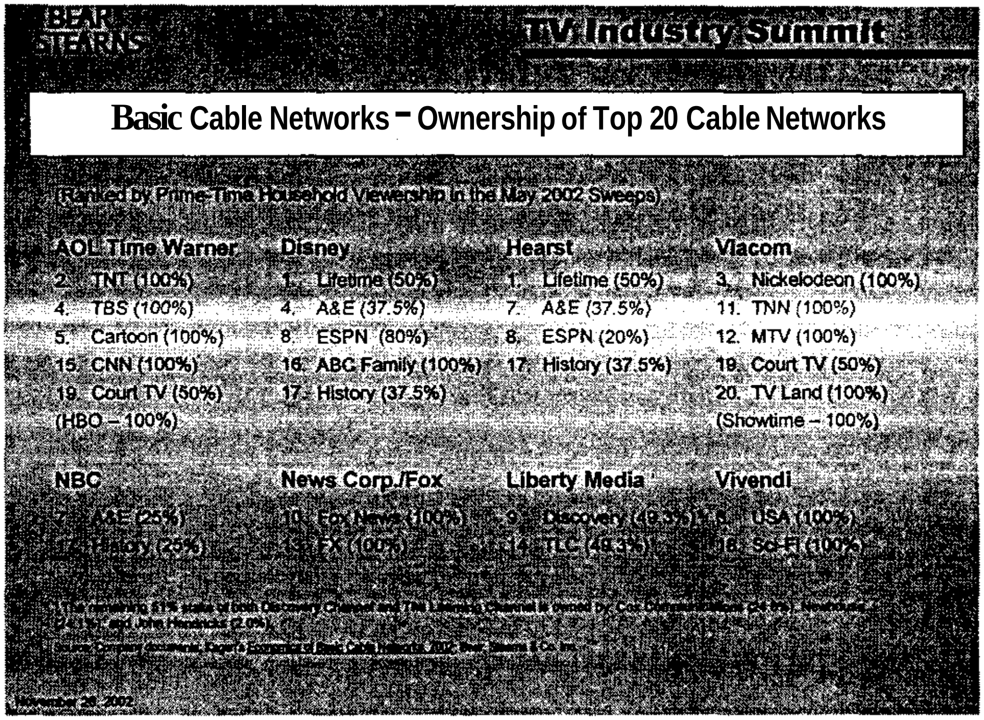
Victor Miller: Is there any practical implication on the — just the scope and the scale and the size of these companies relative to your businesses? Anybody?

David Smith: Well, I tend to agree with what he just said that 1 think the Street, if you will, is more comfortable, or clearly appears to be more comfortable, as a function of the valuations they've placed on these companies because they're in so many different businesses. And I think the more important point is just what we've just said . . . in some cases, these companies are in businesses that have nothing to do with television. And that's okay. It's okay for Time Warner to be in the publishing business. The last time I looked, publishing magazines has nothing to do with selling local spot television and selling eyeballs on a household rating basis. They are completely disparate businesses. But that's okay. I mean, what that really says to us is that the Street is more comfortable with mass, regardless of whether there's any synergy or not. I mean, I seem to remember Mr. Ross, when the Time Warner merger took place, made the comment and touted the issue that, well, there's going to be all these energies, and all these benefits are going to happen as a result of consolidation of these businesses. And I remember reading some years later that the folks at *Time* magazine — and I'm going to take them out of context — said, well, that's all a bunch of nonsense. There isn't any synergy between *Time* magazine editorial staff and what goes on in a Hollywood backroom The reality is, they're completely separate businesses, and they run that way much in the same way a radio station in a local marketplace runs separately from a television station — or a newspaper runs separately from a television station. The extent to which there is any relationship that can be had from those disparate businesses is very difficult. We tried in radio for a number of years and were not terribly successful at making radio sell at the same time TV did . . . for the same reason, I think, Kevin talked about . . . remember what Cox's view was. We only care about who wins. So, what the reality is, is when you take a radio spot salesperson or a newspaper salesperson — or whatever — and you put them all in the same room, they're trying to kill each other — even working for the same company. And you know something? That's exactly what they should do.

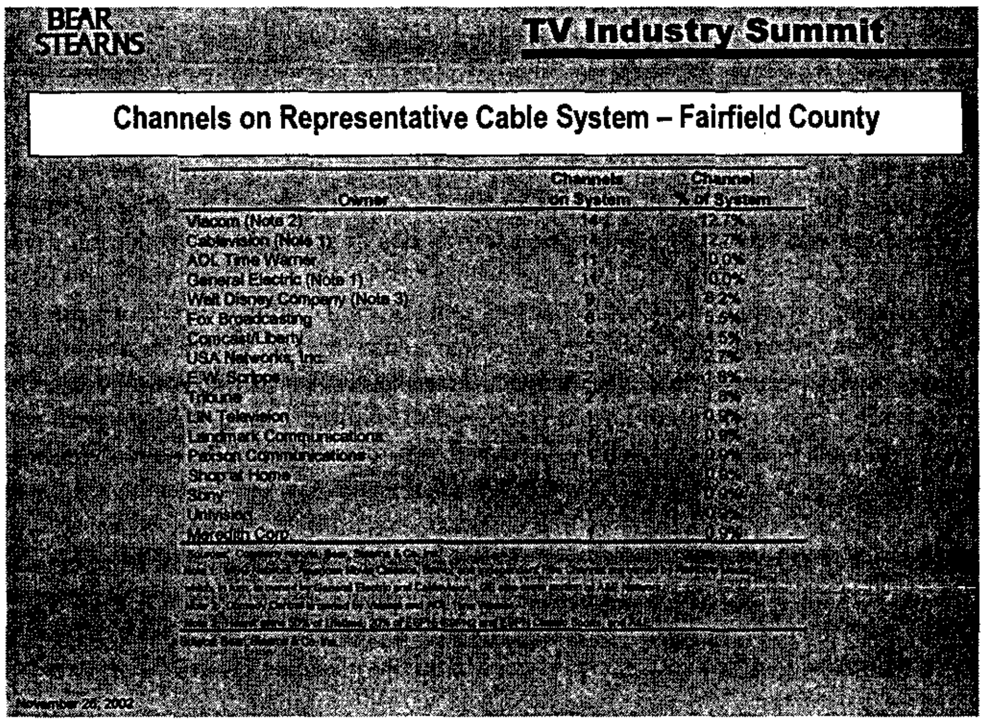
Victor Miller: Robert, how has the leverage between programmers, many of which are owned by the network, and local TV stations changed in the last five years? What about the next five years?

"It always comes back to the same fundamentals. What kind of audience do you deliver? How much business leverage is there in those quality audiences? How durable are they?"

Robert Decherd: Victor, it's changed as that industry has consolidated and as some of the companies you just recited on this chart have become more engaged in either influencing or owning those businesses — it always comes back to the same fundamentals, though. What kind of audience do you deliver as a local broadcaster or a group broadcaster? How much business leverage is there in those quality audiences? How durable are those audiences? Because those are the things that enable you to have a fair negotiation within a program supplier, whether they're owned by one of the companies on this chart or they're an independent. I do think, as you and I have discussed, that there will he, over the next few years, the emergence of some fairly important new independent program suppliers, simply because all markets move in cycles. It can't be this consolidated indefinitely. While it is this consolidated, though, it's difficult for even groups as large as Tribune's or ours to consistently obtain the programming that we know will drive audiences to our newscasts — our local broadcasts — at reasonable prices. Now, it's under control. I think Shaun would be able to say the same thing. We're not looking at big increases in year-to-year programming expense. But, your question implied, what about the next five years? What program supplier will there be to fuel companies like ours as well as these very large players? Also, I want to just tease the question that David referred to . . . we've had quite a different experience in our markets with either duopolies or, in the case with Dallas-Fort Worth, with cross-ownership. I know we'll come back to that. Our sales, marketing, news, editorial, management systems are working together very, very well. And that's one reason I think this regulatory question becomes important from the standpoint of our collective ability to compete effectively in the future.



Victor Miller: Here's a slide of basic cable networks. Here's the ownership of the top 20 cable networks. **AOL** . . . the numbers you see next to it . . . it's the second-highest-ranked network. TNT, **AOL** Time Warner owns 100%. So, the numbers to the left are the ratings — or the ranks — as of May 2002. So, the top 20 cable networks are in eight companies' hands, essentially.



If you go to the next slide, you'll see the channels represent that on that Fairfield County system, with Viacom having 14 shots at me in Fairfield County, Tribune having all of two shots to get my attention on that same system. Shaun, I want to ask you two things: first, how do you protect your local franchise from those audiences of all these competitors? And, secondly, your local broadcasters need more channels. If not, how does the single channel broadcaster remain relevant? Do they have to create a strong local media position to protect themselves from large-scale national players?

"That argues for deregulation, I would say, rather strenuously."

Shaun Sheeban: Well, I can partially answer the second. 1 think I can answer the first straight up. It strikes me that the play is the thing. And really the quality of programming that you have on will answer in great part your audience share. What the chart amplifies and demonstrates, however, is why duopoly relief is so obvious. This multiple channel capacity for the MSOs, it seems to me, makes a case for a duopoly right there . . . just on the face of it. And as 1 answered in my earlier answer, clearly what we've attempted to do is increase our local franchise . . . simultaneously grow our . . . we've grown our own programming source through Tribune Entertainment. And with our 22%-23% ownership with WB, we have fresh product, so we're fairly comfortable. Clearly, the equation is titled. You look at cable by its technology, the engineering is such it is a gatekeeper. And then the ability of the MSO through clustering, and the ability to own so many programming channels, gives them a leg up, and it strikes me that the regulatory question becomes: how important is a free system to society, and how do we sustain a free system? And the way we do that is allow the free system to gain some mass. And that argues for deregulation, I would say, rather strenuously.

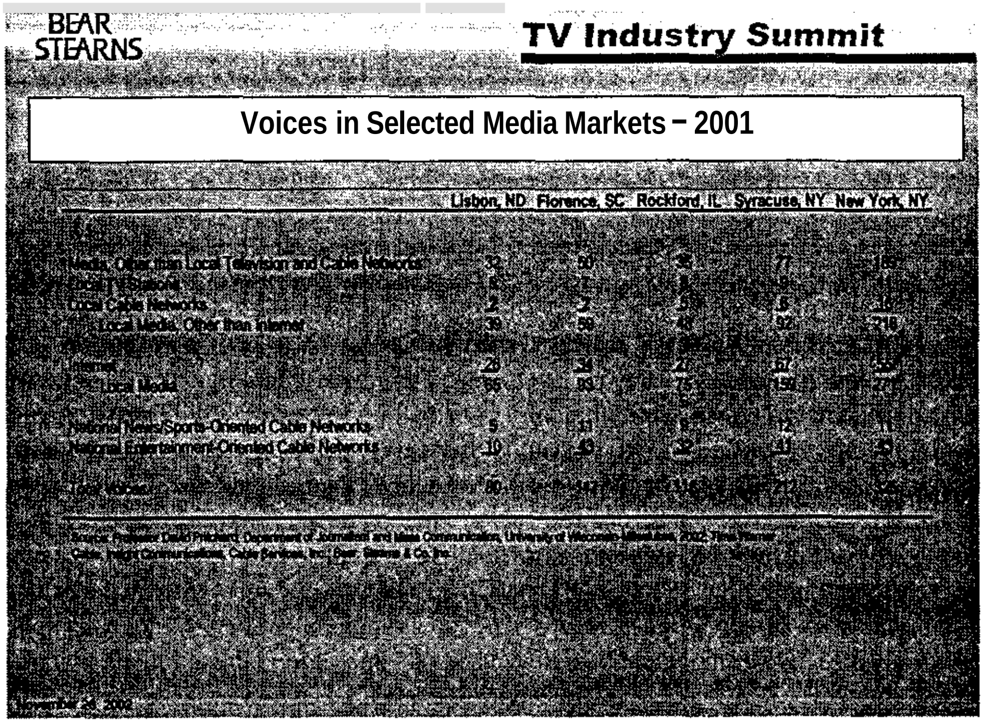
Victor Miller: David? Any comments to this single channel? You've got duopolies in ten markets. You must have done this before.

"Why can't you own four television stations in the marketplace? When the cable channel has an absolute monopoly?"

David Smith: I think, clearly, more is better. I don't think there's any question about that . . . whether you program them with news or sports, local sports, high school basketball, whatever it happens to be . . . more product in Hollywood. I've always been kind of a subscriber of the view that if you build more channels, sooner or later, Hollywood will rise to the occasinn and want to fill them with their content. We demonstrated, as some of you may remember, I guess roughly four years ago, the first really very simple off-the-shelf multichannel platform capability in Baltimore with our digital channels. And, we demonstrated how simple it was to propagate five channels. In today's world, you can do a whole lot more than five off the back of a digital platform. Unfortunately, because the digital standard is encumbered with some fundamental flaws, I'm not sure that in the final analysis, availability to multicast is going to be there to be used as a tool. So, 1 think, to some degree, we have to resign ourselves to the likely reality — absent the major overhaul in the standard — that we're going to be relegated to a single channel broadcaster. And I think we're okay with that from the standpoint of surviving, but, as I said, I've certainly — in markets where 1 had duopolies — I think it's a wonderful thing; it's provided us with some huge competitive opportunities. But what's to say you can't own . . . as somebody said, I think, on one of the earlier panels, why can't you own four television stations in the marketplace? When the cable channel has an absolute monopoly?

Victor Miller: Shaun?

Shaun Sheehan: There's another piece to this, and ***Gary*** Chapman touched on it in the last panel. He spoke to his cost of conversion to digital. I believe he used Fort Wayne versus Indianapolis or another market. But it strikes me that the pressure on the broadcast industry to accelerate or continue the conversion to digital that clearly Congress wants and others would like to see the analog spectrum returned. . . that the economies of scale and inherent duopoly argues for regulatory relief to provide some suffrage for these smaller markets so they can sustain the costs inherent in that conversion. And it makes ample sense to allow them to have multiple — to own more than one facility even in much lower market sizes than is applicable right **now.**



Victor Miller: And we'll talk about that . . . we have a panel, an extensive panel, obviously, right after the network discussion on that very topic. Walter, take a look at this slide. As part of the radio ownership rules, the commission asked people to say how many voices there were in Florence, South Carolina; Rockford, Illinois; and Syracuse, New York in terms of how they look at these radio markets. A study done by David Pritchard at the Department of Journalism and Communications at the University of Wisconsin-Milwaukee actually took it one step further and said, okay, let's look at a very, very tiny market — Lisbon, North Dakota — and let's look at New York, the largest market . . . and let's see how many voices there are in the marketplace. **So,** even if you look at just local media other than the Internet, there's almost 40 voices in Lisbon and 200 voices in New York. If you add the Internet, you're up to ***65*** voices in Lisbon, North Dakota, and 271 in New York. And then I would argue that each cable system has things that smell a lot like what you guys do for a living; it's called, you deliver national news, you deliver . . . ana sports. ***So,*** if you add the national news, sports-oriented cable networks, and the national entertainment ones, the big ones, TNT, TBS, etc., you would add . . . and those types, you'd have 80 voices in Lisbon and **325** voices in New York City, New York. The question for you is even in the markets you're in—and you're in some smaller markets—how do you view voices in the market? Because you're not competing just against one media. How do you look at the voices? Are there enough voices? Is this concept of looking at an MSO as one voice defensible?

Walter Ulloa: I don't believe it is. I think it needs to be changed. I think that if you've got eight television stations in the .market with 50% of the audience, and we've got one cable system with 50% of the audience, then that cable system should also count for the eight-voice test. I think that's the only fair way to make this work. And that's, I believe, a rule that needs to be changed.

Victor Miller: Robert. how do you see it?

"There is the lingering belief on the part of many involved that there are not adequate voices in most markets in the United States. That's not correct."

Robert Decherd: This may be the most important slide, in my point of view. For years, we have talked about voices, and there is the lingering belief on the part of many involved, both in this deregulatory process and observers of the process, that there are not adequate voices, adequate number of voices, in most markets in the United States. That's not correct. This makes very clear that there are, even in a market the size of Lisbon, North Dakota, large numbers of voices relative to 30 years ago. The difference is, how do they reach viewers? Through what channels? What distribution systems? And that's the MSO problem, the gatekeeper issue. It begs similar questions about satellite. There may be one satellite provider in the U.S. — it's an astonishing notion. But it also underscores how important the preservation of localism is. Shaun said this in terms of free over-the-air television, which is, again, historically, the counterveiling force in all of this. That's why the airwaves are regulated to begin with, to ensure, first with radio and then with television, that citizens have the ability, free and over the air, to access news and information about their communities as well as all these national and international sources of news and information that now comprise a lot of this universe of voices. But in Lisbon, North Dakota, if there are 80 potential voices of these characterizations, and you then sort out the ability of a local licensee to compete against the MSOs, the satellite provider never. . . it is pretty obvious to us, and I think to Tribune and Sinclair and to Walter's company, that you have to enable that local licensee to aggregate as much local news, information, sales, and marketing presence as possible to succeed over time and, therefore, meet the original notion that you're licensed to provide a service for your citizenry. And that says all the things that have been characterized by people who have a different view of reregulation as being sinister . . . is just wrong. There is nothing wrong with cross-ownership in Lisbon, North Dakota. There is nothing wrong with duopoly. The cost issues that David and Shaun mentioned . . . if you want the free flow of information to match up with the original intent on a local basis, you need to enable companies like ours of all sizes, of all description, to have the ability to compete effectively. That's the sum of all the parts.

"You have to enable that local licensee to aggregate as much local news, information, sales, and marketing presence as possible to succeed over time."

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Local Media Voices in Selected Markets – 1942,1962,1982,1995,2002

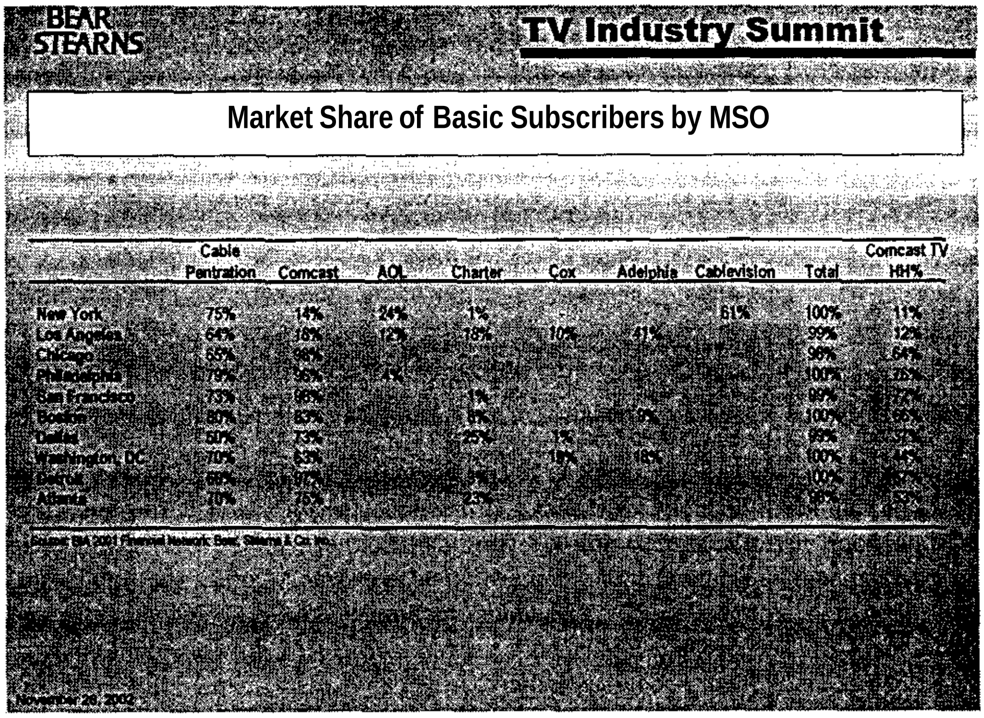
	Population	Media Not Including Internet 1942	Media Not Including Internet 1962	Media Not Including Internet 1982	Media Not Including Internet 1995	Media Not Including Internet 2002	Internet Sites 2002	Total "Voices" 2002
Lisbon, ND	2,200	11	17	25	34	32	26	58
Florence, SC	34,000	4	7	12	20	50	34	84
Rockford, IL	150,000	5	12	19	31	35	27	62
Syracuse, NY	150,000	15	18	35	51	77	67	144
New York, NY	20,302,000	67	93	133	170	189	55	244
Change in Voices Since 1995 (Pre-Telecom Act)								
Lisbon, ND						-5.9%		70.6%
Florence, SC						150.0%		320.0%
Rockford, IL						12.9%		100.0%
Syracuse, NY						51.0%		182.4%
New York, NY						11.2%		43.5%

Source: Professor David Pritchard, Department of Journalism and Mass Communication, University of Wisconsin-Milwaukee, 2002; Bear, Stearns & Co. Inc.

Victor Miller: This is the . . . the voice is by the same exact path. . . **1942, 1962, 1982, 1995,** and **2002** in all of these markets. So, if we just look just back in **1982,** well, actually, just pre-Telecom Act . . . **1995. In** all cases, you can see the number of media, not including the Internet, the voices in Florence, South Carolina, up 150%; Rockford, up **13%;** Syracuse, up **51%;** New York, up 11%. Add the Internet, you've got **71%** more voices in North Dakota, and you've got **43%** more voices in New York. And you can see Lisbon's entire population is **2,200** people; New York at **20,302,000** people. What's Tribune's take on this reality?

> "The newspaper cross-ownership rule was put **on in 1975,** and the **FCC,** at that point in time, did a study in which they established **no** harm existed from existing combinations."

Shaun Sheehan: Well, first off, we're in a little bit different position in that we were grandfathered in Chicago, where we own WGN-AM and TV **as** well **as** the Tribune. And some here may not recall, but we founded the ***New York** Daily **News*** and then put WPIX on the air in the 1940s. The point in all of this, Victor, is that where we are in Los Angeles right now . . . at the ***Los Angeles Times,*** we had an editorial staff of approximately 1,100. In Chicago, we have an editorial staff **of 650.** And no other entity in these mega-markets has the kind of reach to be able to **go** out and find the news and package news like we can. And the societal question is simply this: if we are expected, in a democracy, to be able to cover all of the local school boards and the pieces of interest that encompass that market, then we have to find ways to amortize our costs. And with readership down, which **has** been noted here, what we need is to be able to find the community in the way it wants to reach its news. And this whole thing is a fiction from the get-go. The newspaper cross-ownership rule was put on in **1975,** and the FCC at that point in time, did a study in which they established **no** harm existed from existing combinations. And, in fact, the stations that were in market and owned by newspapers in the same markets did more news and public affairs than any other type of television station. In our most recent round of studies that just came out, once again, those very points have been reiterated. So, what we've always had is a problem in search — a solution in search of a problem. It's a fiction. It was always a political fix. And **our** point is simply this: the Internet is not going to go out and cover the school boards, readership is down . . . we have to find ways to amortize our cost to do the kind of good citizenship, which is what the First Amendment is all about . . . and the **rule** has got go. ***So,*** these numbers don't surprise me in one way, shape, or form. I was curious to know how many people did live in Lisbon, North Dakota, and now I know. I was wondering, with **80** outlets, did everybody have one? Or how it worked. I don't even know where Lisbon, North Dakota, is, but I'm sure they're good licensees out there.



	Cable Pentration	Comcast	AOL	Charter	Cox	Adelphia	Cablevision	Total	Comcast TV HH%
New York	75%	14%	24%	1%	-		61%	100%	11%
Los Angeles	64%	18%	12%	18%	10%	41%		99%	12%
Chicago	65%	98%						98%	64%
Philadelphia	79%	96%	4%					100%	76%
San Francisco	73%	98%		1%				99%	77%
Boston	80%	83%		8%		9%		100%	66%
Dallas	50%	73%		25%	1%			99%	37%
Washington, DC	70%	63%			19%	18%		100%	44%
Detroit	69%	97%		3%				100%	67%
Atlanta	70%	75%		23%				98%	53%

Source: BIA 2001 Financial Network; Bear, Stearns & Co. Inc.

Victor Miller: Well, the farms are far enough, they need their own Internet sites to talk to each other. . . I don't know. Let's talk about the next **one.** . . market share **of** basic subscribers, MSOs . . . we've seen this a bunch of times. A market like Chicago, for example, Shaun, where cable penetration is ***65%*** — Comcast AT&T will have ***98%.*** So that means, basically, **64%** of all your households, TV households, will be watching you through the Comcast AT&T . . . I open this question to everybody, Shaun first, is . . . how has this relationship changed from this point? And then, does anybody else want to add it? What does it **look** like five years from now?

Shaun Sheehan: I think, first off, hats off to Comcast for achieving their . . . the acquisition of the old AT&T cable. Somehow or other they stayed under the **radar** screen, while EchoStar and Direct got all the publicity. We . . . we lay silent. We felt we have enough of our chestnuts in the fire with **you** on the newspaper cross piece and on duopoly. But, needless to say, this kind of concentration keeps our people up at night with their eyes wide open; just a tremendous leverage.

"The reality is that cable MSOs are essentially a monopoly in every market they're in."

David Smith: I agree with what **Shaun** says. The reality is that they're [cable MSOs] essentially a monopoly, for all intents and purposes, in every market they're in. And if you're a free market person, **as** I am, then I'm okay with that. Having said, that, I want to be able to do precisely the same thing in the context of the business that I'm in. I just want to be treated the same way, that's all, nothing more, nothing less. Let the free market determine who survives.

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Duopolies and LMAs – Average Revenue Share for Top 20 and 100 Markets

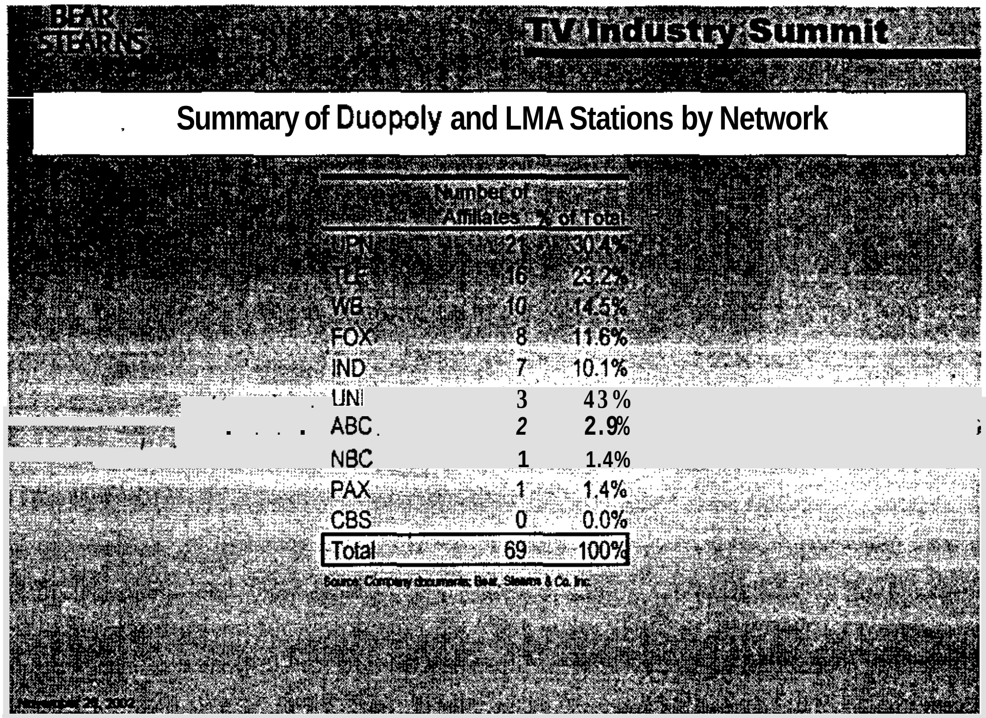
Duopolies

Revenue Share	Number of Duopolies	Percent Distribution
0%-2.5%	20	45.5%
2.6%-5.0%	6	13.6%
5.1%-7.5%	4	9.1%
7.6%-10.0%	7	15.9%
10 1%+	7	15 9%
Total	44	100.0%

LMAs

Revenue Share	Number of LMAs	Percent Distribution
0%-2.5%	6	24.0%
2.6%-5.0%	8	32.0%
5.1%-7.5%	3	12.0%
7.6%-10.0%	0	0.0%
10.1%+	8	32.0%
Total	25	100.0%

Victor Miller: Let's talk about duopolies in local marketing views. I'm going to ask David to start, and I'm going to ask Walter to follow, but here's the duopolies in local marketing agreements from the top 20 . . . the LMAs are from the top 100 markets, the duopolies are in the top 20 markets. You can see that, on average, we have **44** duopolies in the top 20 markets. On average, almost 60% of the duopolies take less than 5% revenue share of the market. On the LMA side, you can see, again, almost 60% of the local marketing agreements that have been put together are less than 5% of the revenue share of the local marketplace. This would suggest that the station, without the support of a stronger station, may not exist.



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Summary of Duopoly and LMA Stations by Network

	Number of Affiliates	% of Total
UPN	21	30.4%
TLF	16	23.2%
WB	10	14.5%
FOX	8	11.6%
IND	7	10.1%
UNI	3	43%
ABC	2	2.9%
NBC	1	1.4%
PAX	1	1.4%
CBS	0	0.0%
Total	69	100%

Source: Company documents; Bear, Stearns & Co. Inc.

The second thing I want to mention is that duopolies in local marketing units are essential in protecting and encouraging the development of brand new voices in the marketplace. Thirty percent of all LMAs . . . duopolies and LMAs are supporting the UPN network, a new network. Twenty-three percent of all the LMAs and duopolies — a lot of these are through Walter's effort — support the Telefutura Network, which is a brand new Hispanic network; 14% WB, and 12% Fox. You can see that in terms of "big three" [ABC, CBS, NBC] networks, there's only four of the 70 that are actually involving network. So let's talk about, David, start with you, what function does the duopoly serve in creating new voices? And I want to talk to — Walter, have you talk about how duopolies and LMAs have helped launch the Telefutura Network, which is obviously a brand new Hispanic voice. David?

David Smith The fact of the matter is that everybody knows who has them or wants them; duopolies have, in fact, fostered, promoted, and caused, in most cases, to be profitable to very small businesses in the marketplace. It's been a wonderful business for Sinclair to be in since 1991. And I think it certainly is a place where we want to continue to go. But this isn't only about what happens with the UPNs, WBs, and Foxes in the marketplace; it's as much about ABC, NBCs, and CBSs in marketplaces and combinations either with themselves or with the UPNs, WBs, Foxes, or any other network that wants to be started. We see no philosophical . . . we see no academic reasons, based on our own studies and based on the recent studies issued by the FCC, where those types of combinations create any kind of imbalance in the marketplace, any disadvantage to the advertiser, or any disadvantage to the consumer.

Victor Miller: Walter, talk about the Telefutura Network's development and how important this has been to that development. Since you're at the heart of it.

> "We were able to use the efficiencies of that infrastructure to provide a brand new important television service to the fastest-growing demographic in the United States."

Walter Ulloa: Yes, I'd like to start by just echoing what everyone said about the concentration of the MSOs and how important it is to free up television operators in most television stations in the market to compete with the MSOs and the satellite providers. With regards to Telefutura, it's a new Spanish-language network that was launched this year in January by Univision. We operate Univision affiliates in **22** markets. And in 15 of the markets that we're in, we have launched Telefutura affiliates. But for the ability to operate a Univision television station in those markets and already have the existing infrastructure in place, we wouldn't have been able to launch most of these Telefutura affiliates. But due to the fact that we did have the existing infrastructure, we were able to use the efficiencies of that infrastructure, we've been able to provide a brand new important television service to the fastest-growing demographic in the United States.

Victor Miller: Remind me, how many Telefutura duopolies or LMAs do you operate?

Walter Ulloa: Fifteen.

Victor Miller: How many of them are actually duopolies, and how many of them are LMAs?

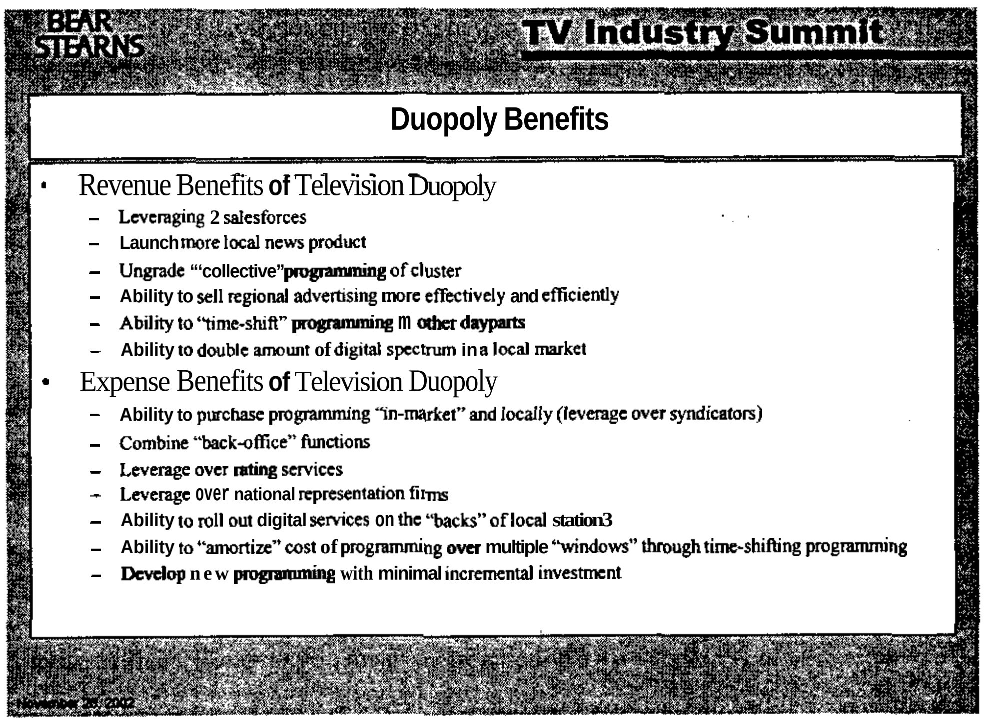
Walter Ulloa: Nine are "duopolized," and six are LMAs.

Victor Miller: In terms of the eight-voice test, is there any reason why you think you shouldn't be able to own that second station, given the voices and all the things we've talked about in those six markets?

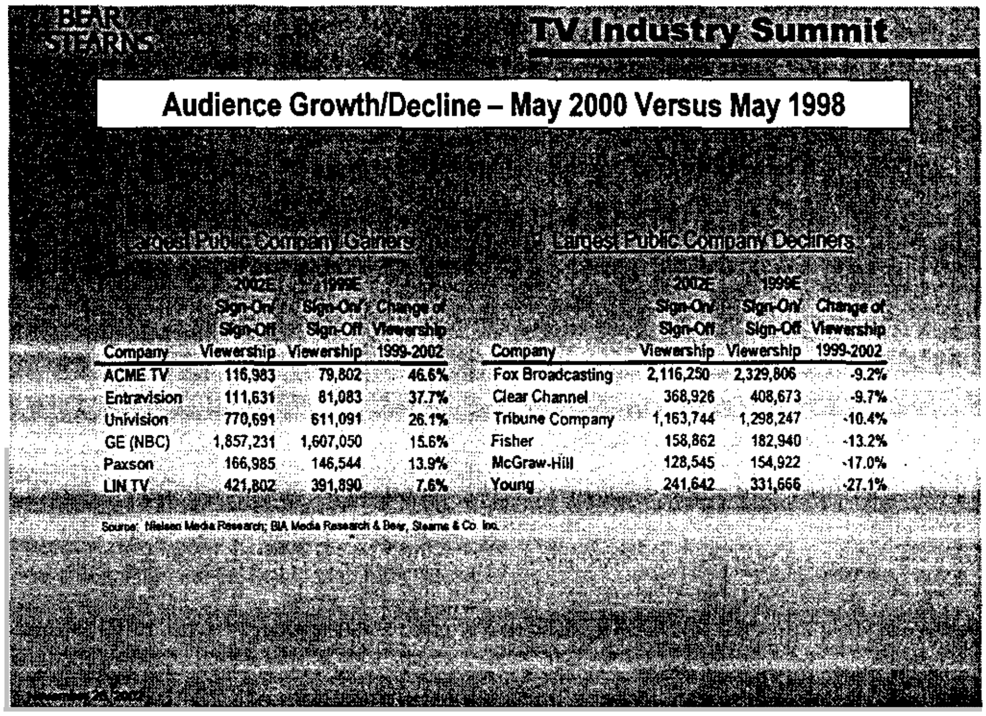
Walter Ulloa: Well, I believe, just to comment about the eight-voice test and the smaller markets, I'm of the opinion that duopolies may be more important for smaller markets due to the fact that if you want to provide local content to a small market, the costs are substantial, and you need to be able to spread these costs, news costs, over as many platforms as possible in order to provide a professional product to your viewers. And if you're limited by operating one television station in a small market, then it's very difficult.

Victor Miller: Robert?

Robert Decherd Victor, let me pick up on that theme and tie back to the market share of **MSOs.** Once the first deregulatory domino was pushed a decade ago, a number of fairly predictable things began to occur. And we're just now, in our estimation, at least from Belo's standpoint, getting around to television and newspaper regulatory policy, whereas all of **our** competitors have benefited through the previous ten years from various forms of deregulation and some of the give and take from the previous panel. But to this specific point, given that this is the way the world has been reconstructed, companies like ours — all of ours, all the ones **on** the panels today — tosucceed financially, but equally important to provide these news and information services we're talking about — have to have these tools available to them. To Walter's point, we've created new news programming; in every one of the four markets where we have duopolies, they range in size from Tucson and Spokane to Seattle/Tacoma and Phoenix. Without duopoly, we couldn't do that. There is, as David said, no disadvantage; in fact, I would argue an advantage to advertisers as a result of our creating some of these new vehicles. Net-net, we are adding news information programming in all those markets across dayparts where they were not previously available — certainly not at the quality we're able to deliver. And while it is true that there are these concentrations of MSOs, then we need to have equal ability to compete. Companies like ours are also partners of the MSOs. We're partners with Comcast, Time Warner, Cox. . . in all of our key markets — one or the other — in, guess what, news and information, But we would never be able to negotiate those partnerships with them if we didn't have enough weight, enough presence in those markets to get their attention. And so, scale, in a lot of different ways, becomes exceedingly important. And back to your MSO concentration chart, let's keep in mind if you use Dallas-Fort Worth as an example, 50% cable penetration . . . tack on 15%-20% generously for satellite, because there's a lot of overlap, there's still 30% of the people in that market who get their free over the air. And if you want them to get high-quality digital or analog signals, you need to enable companies like all of ours to continue to compete effectively. And that's what this is all about.



Victor Miller: I want to talk a little bit about the newspaper broadcast cross-ownership right now. The bullets above go through the revenue and expense benefits of being able to operate a television duopoly.



BEAR STEARNS

TV Industry Summit

Audience Growth/Decline – May 2000 Versus May 1998

Largest Public Company Gainers

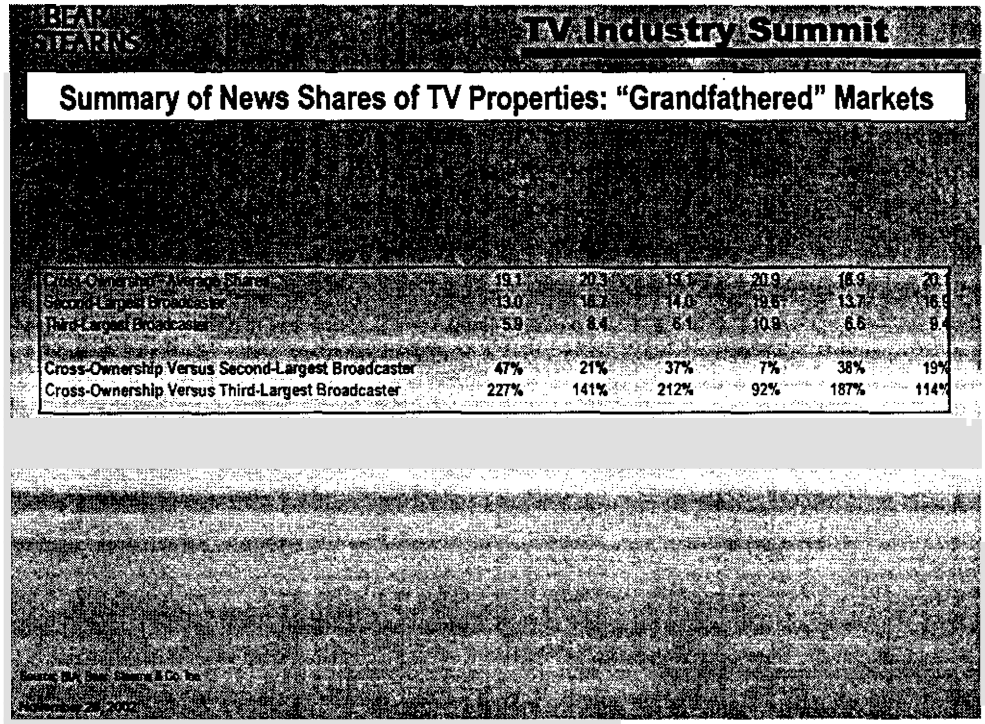
Company	2002E Sign-On/ Sign-Off Viewership	1999E Sign-On/ Sign-Off Viewership	Change of Viewership 1999-2002
ACME TV	116,983	79,802	46.6%
Entravision	111,631	81,083	37.7%
Univision	770,691	611,091	26.1%
GE (NBC)	1,857,231	1,607,050	15.6%
Paxson	166,985	146,544	13.9%
LIN TV	421,802	391,890	7.6%

Largest Public Company Decliners

Company	2002E Sign-On/ Sign-Off Viewership	1999E Sign-On/ Sign-Off Viewership	Change of Viewership 1999-2002
Fox Broadcasting	2,116,250	2,329,806	-9.2%
Clear Channel	368,926	408,673	-9.7%
Tribune Company	1,163,744	1,298,247	-10.4%
Fisher	158,862	182,940	-13.2%
McGraw-Hill	128,545	154,922	-17.0%
Young	241,642	331,666	-27.1%

Source: Nielsen Media Research; BIA Media Research & Bear, Stearns & Co. Inc.

And then one point that I want to make, which I think is very important, is that it's really one of the few ways, successful ways, that we've actually been able to grow audiences across our distribution platform. So, for example, if you look at LIN Television, for example, they've actually been able to grow their total audience over the 1999 to 2002 May time period by about 8%. There's Entravision with 38% growth, Univision with 26% growth, and, now, General Electric, with its Telemundo and all of its duopolies there. You can see higher audience growth there as well. The ones that are stand-alone and haven't seen some of these have had more problems. Now, obviously, what you're seeing here and then some of these other ones, are just ratings trends over one year's period. But this does help this business grow, and that's an important thing. It generates more audience — duopolies.



Cross-Ownership Average Shares	19.1	20.3	19.1	20.9	16.9	20.[illegible]
Second-Largest Broadcaster	13.0	16.7	14.0	19.6	13.7	16.[illegible]
Third-Largest Broadcaster	5.9	8.4	6.1	10.9	6.6	9.4
Cross-Ownership Versus Second-Largest Broadcaster	47%	21%	37%	7%	38%	19%
Cross-Ownership Versus Third-Largest Broadcaster	227%	141%	212%	92%	187%	114%

Now, s go on to newspaper broadcast. Here's the important point. These are the d TV markets. May 20 ebruary 2002, N ember 2001 . . . the ratings of the local TV stati These are the operators that own a newspaper and also operate a television station in the marketplace. Now, you'll notice that the cross ners audience . . . the operator who has the versus t s ond largest broadcaster. . . an ta of almost 50% in audience. And t over the third-place operator . . . almost 227% Why? Because I think they have successfully done . . . the newspaper and the stations being has created much stronger local capabilities in t m es; g a h higher-quality product to the marketplace — driving more audience to the TV ti that would have been if it was and more circulation than t newspapers if they were a stand-alone business. Do you agree with this? d let's talk Robert and , tell us about newspapers . .

> "Think through, if you have this enormous news-gathering capacity, and you can put it right on your television station, how much richer the context of your news presentation is."

Shaun Sheehan: You're dead on. And what we've . . . for years, we kept the *two* properties separate, for the most part. But we've increasingly found . . . we've put cameras in the newsrooms now. And a breaking story, such as September 11, which is . . . September 11 is probably not the right example, but just any breaking story. Let's say there's a crash on the commodities exchange, or there's a plane crash. We've got the top transportation editor, we think, in the U.S., working for the *Chicago* Tribune. And we put him right on the air, no news — no television newsroom can sustain the cost of having a stand-alone person that just specializes in one particular area . . . where a big metropolitan newspaper does. And what we've found, if you're a TV station in a normal market, you depend on your network, and you depend on your local news staff. Well, think through, if you have this enormous news-gathering capacity, and you can put it right on your television station, how much richer the context of your news presentation is and how better sewed the community is. And we found that repeatedly. And what we're also finding. . . what we're trying to do is break down the notion that a guy who works for a newspaper or a woman who works for a newspaper sits there and knocks something out; that person is an information gatherer and presenter, if you will. The newspaper is the primary vehicle through which we deliver the product, but television, Internet, you name it . . . we want to reach the consumer however they want their information received, and we know we have the top people in the local market to capture that information and deliver it. And we think there's a business behind it. And that, in great part, is our strategy in the Times Mirror acquisition and our aggressiveness in taking our print people and putting them forward in on the broadcast platform and vice versa. We're also finding that if we have a big breaking story coming out in the newspaper, if we promo it at the evening news the night before, it drives circulation to some extent in the morning.

Victor Miller: Robert, expand on Shaun's part, but let's not forget the viewer, the reader . . . what does the consumer get out of cross-ownership, if anything?

"The consumers get a far richer and a more reliable news and information product from a locally owned company."

Robert Decherd: Our experience is, the consumers get a far richer and a more reliable news and information product from a locally owned company. We're the largest of the markets here, but even if you go down to Dayton, and you look at the shares you got for WHIO, it begs the question, what's insidious about a **27%** share of a newscast in a market that size? There's this assumption that that's bad. We have a larger share of audience for the WWL television free standing in New Orleans than they do with cross-ownership in Dayton, and it's a larger market. So, you can't generalize about the so-called adverse impact on viewers and readers; quite the contrary, as Shaun said, and I want to emphasize . . . if you have large able news organizations working cooperatively, you're putting more people on the field, if you will, to present news and information a variety of ways to readers, viewers . . . in our case, regional cable news viewers who also benefit from this cross-ownership . . . and on the Internet . . . where we have very rich sites for all of our media properties.

But, as you think about this, let's go back to Dallas-Fort Worth, seventh-largest market in the **U.S.** in broadcast terms . . . and you'll see if you go over to February **2000** late news, we actually lost that time period — that daypart — to KXAS; it's the first time in more than a decade we've lost that newscast. Now, the Olympics were on there, the NBC affiliate, and so forth. But, again, look at our share, **WFAA, 18%, 18%, 17%, 17%, 18%.** That tells me there's more than 80% share of the market going someplace else, including to our competitors. And in the large markets, we're talking about just absolute numbers of viewers reached. Let's take the top **25** markets, you aggregate whatever the numbers of millions of viewers is in those markets. In Dallas-Fort Worth, our company, back to your revenue comparison or market cap comparison, is competing with the following — so 1 like to say General Electric, which has a duopoly, and MSNBC . . . Viacom, which has a duopoly, an outdoor presence, and is ambitious about its relationship — both of them are with the ***Fort Worth Star Telegram,*** a competitor of ours in the market. Obviously, **Fox** is there, a duopoly, and its sports networks, and on and on and on. These are companies ten to 20 times the size of ours. And we're not a small company. So if you want a company like ours, whose roots are in quality journalism in serving these communities in the top **25** markets, to continue to be a presence, you need to let us compete. That's what, again, our consistent message has been and we have to quit worrying about whether it's somewhat imperfect. I mean, we'd all like to have **15** independently owned media

"**This** is about a consolidating business. ***So,*** let's even it out and let companies **our** size compete."

outlets in every market in the United States. When that domino went in **1992,** forget it, dream's over. This is about a consolidating business, period, the end, not going back. ***So,*** let's even it out and let companies our size, Shaun's size, David's and Walter's, compete.

Victor Miller: Theoretical question for Shaun and Walter . . . the Department of Justice implied that radio is a distinctive market when viewing concentration issues. In that business, they chose about **35%** level as kind of the smell test. In its September **2002** white paper, "Survivor in the Sea ***of*** Competition," which the **FCC** did, they said, "depending on the product or service being advertised, the purpose of the advertisement in the target audience — many of these media, newspapers, magazines, broadcast TV, cable television, radio, yellow pages, direct mail, business papers, out-of-home Internet — may serve as substitutes for one another." Which interpretation makes the most sense to you? You're in the radio and TV business in a lot of your markets, you have cross-ownership . . . is it separate, distinct markets, or does money flow between the different media?

Shaun Sheehan: Let me take a crack at it. We're essentially in mega-markets — very, very large markets. And I don't think there's much validity to the assertion.

Victor Miller: Which? That there's a single market?

Shaun Sheehan: Each media is separate and distinct, to a certain extent, but each media is attempting to do one thing, and that's to attract the reader, viewer, and listener. And that's the same human being. So, there's only one marketing plan, really, and that's to get that person. So, I find the segregation to be a bit misleading, and **I'm** dubious as to how they came out that way.

Victor Miller: Walter?

Walter Ulloa: I'd like to comment on the cross-ownership in newspaper and TV quickly here before I answer your question. I believe that. . . I mean, in most markets there's only one newspaper. And the combination of a television station and newspaper is a pretty powerful one. And I would ask that the newspaper companies that owned television stations or want to acquire television stations operate inclusively and not exclusively. And, by that, I mean, for example, the weekly television supplement or TV guide that a lot of newspapers are mostly expected to provide. I want to see that that information that's contained in there for the newspapers, television station, be similar to their competitors or . . . and other television stations. . . particularly new television stations in a market that is emerging with new and innovative programming. I think that's an issue that needs to be looked at. As far as television and radio is concerned, I mean, I think I agree with everyone on the panel, they're different mediums and we operate television and radio and, I think, in 11 of our markets. And we have different sales teams . . . each one **of** those media. And I find that not a lot of packaging goes on or leveraging goes on with television and radio. What I do find is that there is an advantage with regard to the information that is available in a market, about business that's coming into a market or is being placed. That certainly is helpful. And I find that from a promotional standpoint, the ability to operate radio and television is an attractive one.

Victor Miller: Do you see money . . . I mean, does money stay just in Hispanic television and just in Hispanic radio? **Do** you see it moving back and forth between the different media in your market?

Walter Ulloa: I think David commented on it earlier, about competition between television and radio. And even though you've got people working for the same company they sometimes . . . they have a problem understanding that. And they're out there to get as much revenue for their particular media that they can, and you want that. By the same token, you want them working together. ***So,*** it's an ongoing management issue.

Victor Miller: On the point that Walter made, the adaptation on a local business and whether it's local news . . . or expanding local news or starting a local cable channel, which Robert's done successfully in many markets . . . duopolies, LMAs, radio, newspaper, cable . . . expanding the TV station base, nationally. But the point I think you're making **is,** again, newspaper, one person may get the newspaper, but the other point is that other broadcasters can expand their local presence in other ways, whether it's radio, through duopolies or local marketing agreements in their local marketplace. ***So,*** I think that's an excellent point. Tribune is often quoted that the total savings into the company in a market such as Chicago is about $10 million between the television station and the newspaper — I may be even overstating it. ***So*** why is it such a big issue if it's not really a cost thing. . . is it a huge revenue thing?

Shaun Sheehan: I think I tried to answer that earlier. What we want to be **is** the No. 1 purveyor of news in a market. And what we're attempting to do is factor a way to spread our costs out. That's point one. Point *two* is, we're trying to find a way to reach consumers the way they want to be reached. There are . . . and, quite frankly, although it's been denigrated here to some extent today, and well it should, I guess, in **a** television-only meeting, but the newspaper business **is** still a rather robust business, and we like the franchises we're in.

Victor Miller: Does anybody see anything in cable broadcast cross-ownership, the cable MSO broadcast cross-ownership area. . . now that that's been struck down by the appeals court?

Shaun Sheehan: If there was one act that gave me trepidation, it was that, and the court didn't even give a two-second look —just flew it right off the table.

Victor Miller: What do you mean by trepidation?

Shaun Sheehan: Well, if the **MSO** can control cable positioning, and **your** presentation earlier, when ***you*** went, how many channels Viacom has, this, that, and the other thing . . . if they own the local television station, just think of the kind **of** mischief they could create for the non-owned stations in that market.

Victor Miller: Any other statements generally in cross-ownership that you see — cross-ownership opportunities?

Robert Decherd Victor, let me say something I often say when we're in a financial setting as opposed to right before the audience like this . . . I think that the apprehension about cross-ownership is greatly overstated or overemphasized in a number of quarters. The realities of it have been quite different, if you study situations like ours and Tribune's carefully . . . and the economic fact is that there are not going to be a lot of newly formed newspaper/broadcast cross-ownerships over the next five to ten years — maybe over a much longer period of time that will happen, but it will not be an acceleration, as you are beginning to see, in duopolies, and there are not the same financial benefits simply by virtue of owning those two companies in a similar city, no matter what the size of the city. So, I'd dial down the apprehension. Back to your previous question, think about what our competitors are presently are able to do? They can own a lot of assets in these markets we couldn't even think about owning without all sorts of regulatory and legal issues . . . and level it out.

Victor Miller: Do you think there will be any new newspapers? If newspaper/broadcast goes away, do you think any new newspapers will be spawned because a local broadcaster can leverage its presence?

Robert Decherd: No. I think the chances of that are nil.

Shaun Sheehan: No, not on the magnitude of a major metropolitan daily; the costs are just too prohibitive. But there's been a certain criticism laid at the commission for the quality of the studies that are out there or what have you. I'd simply say, if you look at the Belo situation, Cox, Tribune, and look at the markets where we put television stations on the air . . . in the late 1940s, and have successfully operated those stations for 50-60 years . . . isn't that enough evidence? And isn't there enough history out there? The truth of the matter is, what we've wanted from day one is to get this issue teed up, and we feel that's required under the Telecommunications Act of 1996. And certain political pressures have kept it buried. Well, it's out there now, and we hope there will be a vote.

Victor Miller: Well, the studies, too, and the commission has done recently the 12 white papers, which are quite good, so. . .

Shaun Sheehan: We've been unable to find a smoking gun . . . where we're somewhat pleased with the outcome, most of us.

Victor Miller: With that, are there any questions from the audience on cross-ownership?

Audience Participant: This is really speaking to duopolies. If you look at the last two larger transactions, anyway, in which stations were sold to create duopolies, both Los Angeles as well . . . the multiples paid were pretty attractive for the sellers. And what was interesting about it, I thought, was both the buyer, after considering the synergies that were hoped for and ultimately hoped to be achieved, the valuation looked pretty reasonable from their perspective as well. If that's the case, how do you think we'll see the evolution of duopoly creation if we get the easing? In other words, will we still see more of these one-off station opportunities where it makes sense? Will we see swaps? Will we see actual acquisitions of station groups? Will the O&Os be more active, less active, or the same? And I realize it's multifaceted but . . .

David Smitb: I think clearly if the **rule** is dropped, I think you'll see likely more acquisitions and **sales as** opposed to swaps. I mean, if you're going to do swaps, you're going to do them for tax-motivated reasons, and that's a good thing. I find the bigger **issue** in **all** of these things is really nothing more than getting principals at the table and sitting down and hacking through the details of what one's worth versus the other's **worth?** It's just **a** negotiation. My sense is that if the rules go, then there's going to be a free-for-all for the people who want to be larger, and the people who want to get out, it's their exit.

Shaun Sheehan: We've been pretty out front. We want to increase our footprint in the top **30** markets nationwide. We now have four duopoly situations, and we're very pleased with how they are evolving. And . . . we're an acquirer.

Victor Miller: Thank you.